

December 2008 Edition

Page



Watermark Advisors
Your Ally in the Capital Markets

• Recently Closed Southeast U.S. Mergers & Acquisitions Transactions July 2008 – October 2008	2
• Southeast U.S. Economic Update	4
• Yield Curve Steepens 256 bps Year-Over Year as Dow Loses 35% of its Value	6
• M&A Deal Flow Declines 33% Through October	7
• M&A Deal Flow Slows in Southeast U.S.	8
• Traditional Middle Market Loan Issuance, 1Q-3Q 2008	9
• Lenders Requiring Larger Portions of Equity in Sponsor-Backed Transactions	10
• Pricing Grids & Covenant Levels by Industry – Changes since December 2006	11
• Total Initial Public Offering (IPOs) Issuance Decline	12
• Industry Valuation Trends	
Manufacturing – Automotive Parts Suppliers	13
Banking/Finance – Commercial Banks	14
Business Services – Staffing	15
Enterprise Resource Planning Software	16
Restaurants	17
Senior Living Facilities	18
Education & Training (Facility-Based)	19
Education & Training (Software-Based)	20
Infrastructure	21
EV/Sales Multiples Show Declines Since November 2007	22
• Professional Perspectives: The Capital Markets Today for Fast Growing Distress, and Acquisitive Companies — Interview with Ben Duster and Hagen Rogers	23

Watermark Windows

Recently Closed Southeast U.S. Merger & Acquisition Transactions

(Includes Transactions in the Carolinas, Georgia, Florida and Tennessee)

Closed	Seller	Target City	Buyer	Buyer City	Target Business Description:	EV in \$mm	EV/ EBITDA	EV/ Revenue
14-Jul-08	Callisto Pharmaceuticals	New York	Pawfect Foods	Margate	Researches and develops drugs to treat hepatitis C, hepatitis B, epilepsy and brain cancer	35.41		
16-Jul-08	KEG International	Hong Kong	Sino-Biotics	Kennesaw	Designs, manufactures and exports fluorescent lighting products	139.94		
18-Jul-08	VeriChip Corp.	Delray Beach	The Stanley Works	New Britain	Develops security equipment such as radio frequency identification (RFID) microchips	45.00		
22-Jul-08	Cirrus Medical Staffing	Charlotte	A. Soriano Corp.	Makati City	Operates a medical recruitment and placement agency	13.95		
23-Jul-08	Carlsberg A/S	Valby, Denmark	The Coca-Cola Co.	Atlanta	Produces and distributes beer including Carlsberg beers and Tuborg	178.25		
25-Jul-08	Carastar Industries	Austell	Temple-Inland	Austin	Recycles paper products into paperboard for tubes, cores, cartons, and custom packaging	87.00		
28-Jul-08	Quixote Corp.	Chicago	Signal Group	Jupiter	Provides intersection traffic control products such as pedestrian signals and video detection equipment	20.00		
28-Jul-08	Honeywell (Aircraft Logistics Unit)	Morristown	BE Aerospace	Wellington	Distributes aerospace fasteners and hardware and provides custom logistics services to OEMs and airlines	1062.02		1.92x
29-Jul-08	Needletech Products	Attleboro	Theragenics Corp.	Buford	Manufactures specialty needles and related medical devices	47.80		
29-Jul-08	Pace Systems Group	Jacksonville Beach	Electronics for Imaging	Foster City	Provides print management software for print and graphic art companies	21.00		
31-Jul-08	H.I.G. Capital Management (Stream Holdings Corporation)	Miami	Global BPO Services	Boston	Provides customer relationship and business process outsourcing services	226.00		.47x
31-Jul-08	Mortgage Contracting Services	Tampa	Concentric Equity Partners	Hinsdale	Provides property inspection and preservation services for bankruptcy and insurance loss inspection	210.00		
1-Aug-08	PNA Group Holding Corp.	Atlanta	Reliance Steel & Aluminum Co.	Los Angeles	Manufactures and distributes steel products including flat rolled coil, tubulars and sheet, and plate	1065.00	10.62x	.65x
4-Aug-08	Weyerhaeuser Co. (Containerboard, Federal Way Packaging and Recycling Units)		International Paper Co.	Memphis	Provides paper and packaging solutions through 21.4 million acres of U.S. and Canadian timberland	6000.00		
4-Aug-08	Butterkrust Bakery	Lakeland	Flowers Foods	Thomasville	Produces bread for customers such as Publix Super Markets and 7-11 Convenience Stores	90.00		
4-Aug-08	Martin Electronics	Perry	Chemring Group	Fareham	Manufactures pyrotechnic and ordnance devices for the defense industry	70.00		2.77x
5-Aug-08	BioArray Solutions	Warren	Immuco	Norcross	Develops, manufactures, and sells beadchip kits for for immunohematology and transplantation	117.00		
6-Aug-08	Industrial Distribution Group	Atlanta	Southwest JLK Corp.	N/A	Distributes industrial maintenance, repair, operating, and production products	126.23	14.83x	.24x
6-Aug-08	Nsoro	Atlanta	MasTec	Coral Gables	Provides wireless infrastructure and management to commercial and government clients	17.50		
8-Aug-08	Superior Essex	Atlanta	LS Cable	Seoul	Manufactures wire and cables and provides telecommunications services	1186.30	7.06x	.39x
11-Aug-08	Holsum Bakery	Phoenix	Flowers Foods	Thomasville	Provides bake goods to grocery and convenience stores, hospitals and military bases	150.00		1.03x
11-Aug-08	Model Reorg	Bellport	E Com Ventures	Sunrise	Manufactures perfumes and other designer fragrances	141.25		
11-Aug-08	Bodet & Horst USA	High Point	Culp	High Point	Manufactures knitted mattress fabrics	10.50		
12-Aug-08	Soundpath Conferencing Services	Washington	Premiere Global Services	Atlanta	Provides phone and web conferencing services for businesses	20.10		
13-Aug-08	Triad Advisors	Norcross	Ladenburg Thalmann Financial Services	Miami	Provides broker dealer and investment adviser services	37.00		
13-Aug-08	Delphi Automotive Systems	Troy	EnerI	Fort Lauderdale	Manufactures lithium-ion batteries	156.05		
15-Aug-08	Visualsoft Ltd.	Westhill	Triton Group Holdings	Boca Raton	Develops underwater video software that runs on standard PCs with Microsoft Windows	13.04		
22-Aug-08	SK Telecom Co. / EarthLink	Atlanta	Virgin Mobile USA	Warren	Provides wireless communications services including internet, premium broadband, and web hosting	38.00		
26-Aug-08	Ambassador Steel Corp.	Auburn	Nucor Corp.	Charlotte	Fabricates & distributes concrete reinforcing steel and related products	321.00		
27-Aug-08	Hollywood Media Corp.	Boca Raton	R&S Investments	Kansas City	Diversified entertainment company engaged in the development and licensing of intellectual property	10.00		
28-Aug-08	BGS Smartcard Systems AG	Vienna	Net 1 U.E.P.S. Technologies	Fort Lauderdale	Develops and provides smart card based payment systems	132.65		
2-Sep-08	Shaw Energy Delivery Services	Baton Rouge	Pike Electric Corp.	Mount Airy	Provides engineering, design, and procurement services for distribution and transmission powerlines	24.00		.22x
2-Sep-08	Creditex Group	New York	IntercontinentalExchange	Atlanta	Provides screen-based electronic platform for trading credit derivatives	533.00		

EV = Enterprise Value
\$mm = dollars in millions

Watermark Windows

Recently Closed Southeast U.S. Merger & Acquisition Transactions (Includes Transactions in the Carolinas, Georgia, Florida and Tennessee)

Closed	Seller	Target City	Buyer	Buyer City	Target Business Description:	EV in \$mm	EV/ EBITDA	EV/ Revenue
2-Sep-08	Metropolitan Health Networks	West Palm Beach	Humana	Louisville	Provides health care plans and services to people with Medicare in Florida	14.00		
4-Sep-08	Qumranet	Sunnyvale	Red Hat	Raleigh	Develops enterprise software solutions for businesses	107.00		
5-Sep-08	DeRemate Com	Miami	MercadoLibre SA	Buenos Aires	Provides online trading platform operations	39.95		
5-Sep-08	LinkSpectrum Co.	Boone	Bankrate	North Palm Beach	Operates an Internet portal providing for guidelines on financial services	34.00		
8-Sep-08	Taft Coal Sale & Associates	Parrish	Walter Industries	Tampa	Provides coal mining services	23.50		
8-Sep-08	Componus	Allen Park	JPC Capital Partners	Alpharetta	Provides the automotive, trucking, transportation, and railway industries with raw and finished components	66.75		
8-Sep-08	Nekton Research	Durham	iRobot Corp.	Burlington	Designs and develops unmanned underwater/sea vehicles (UUV) for defense industry	15.00		
9-Sep-08	MDA Holdings	Norcross	Cross Country Healthcare	Boca Raton	Provides healthcare staffing services to all 50 states	112.30		.71x
16-Sep-08	Optasite	Westborough	SBA Communications Corp.	Boca Raton	Develops, owns and operates wireless telecommunications tower sites	389.75		
17-Sep-08	Quantum Engineering	Orange Park	Invensys	London	Delivers signaling and train control systems	38.00		
19-Sep-08	ChoicePoint	Alpharetta	Reed Elsevier	London	Provides risk management and fraud prevention information products and software solutions	4030.63	14.03x	4.1x
23-Sep-08	Blackshore Properties	San Marino	Bankrate	North Palm Beach	Operates a website that provides rate information on savings products	14.90		
25-Sep-08	ITouch Marketing	Boca Raton	Options Media Group Holdings	Hallandale	Provides multi-channel marketing services	17.00		
29-Sep-08	BUCA	Minneapolis	Planet Hollywood International	Orlando	Owens and operates Buca di Beppo restaurants	28.76	16.53x	.12x
30-Sep-08	United Insurance Holdings	St. Petersburg	FMG Acquisition Corp.	Farmington	Provides property and casualty insurance brokerage services	16.98		.12x
1-Oct-08	Centex Corp. (Westwood Insurance Agency)	Dallas	ZC Sterling Corp.	Atlanta	Provides property and casualty insurance	55.00		
1-Oct-08	Georgia Southwestern Railroad	Dawson	Genesee & Wyoming	Greenwich	Operates railroad tracks	21.90		
2-Oct-08	Community Financial Corp. (Georgia)	N/A	Alabama National Bancorp	Birmingham	State commercial bank	29.86		
3-Oct-08	MediNotes Corp.	West Des Moines	Eclipsys Corp.	Boca Raton	Provides electronic health record solutions	45.00		5.23x
6-Oct-08	Origen Partners	Atlanta	InnerWorkings	Chicago	Manufactures signs, displays and other merchandising materials	22.00		
9-Oct-08	Sciele Pharma	Atlanta	Shionogi & Co.	Osaka	Manufactures pharmaceuticals for Cardiovascular, Diabetes, Women's Health, and Pediatrics	1217.17	11.47x	2.98x
9-Oct-08	Marathon Ashland Petroleum	Findlay	Pilot Corp. (Tennessee)	Knoxville	Owens and operates travel centers and over-the-road diesel fuel	1400.00		.12x
9-Oct-08	Atlantis Plastics (Molded Products Group)	Atlanta	Monomoy Capital Partners	New York	Manufactures molded plastics products for industrial and consumer applications	30.10		
9-Oct-08	Profire Combustion	Spruce Grove	Flooring Zone	Brunswick	Makes safety products used in burners and heaters for the oil and gas industry	13.13		
10-Oct-08	Social Technologies	Washington	UTEK Corp.	Tampa	Provides research and consulting services to the companies	10.28		
13-Oct-08	Fidelity National Information Services	Jacksonville	Flexigroup	St. Leonards	Provides retail interest-free financing services	20.85		
24-Oct-08	Carlsbergfondet	Copenhagen	The Coca-Cola Co.	Atlanta	Owens and operates a brewery and headquartered in Denmark	167.03		1.28x
27-Oct-08	TVG Capital Partners	Hong Kong	EnerI	Fort Lauderdale	Produces lithium-ion battery cell	42.35		
29-Oct-08	Easy Staffing Solutions	Clayton	EMTA Holdings	Longwood	Provides industrial and commercial staffing services	15.83		
29-Oct-08	Northwest Airlines Corp.	Eagan	Delta Air Lines	Atlanta	Provides air transportation services	6690.72	4.61x	.52x
31-Oct-08	Covenant Health (Cariten Healthcare Division)	Knoxville	Humana	Louisville	Provides health insurance services to commercial, Medicare, and Medicaid members	245.00		.65x
31-Oct-08	AmComp	North Palm Beach	Employers Holdings	Reno	Provides workers' compensation insurance and related services	190.25	5.34x	.76x
31-Oct-08	Atlantis Plastics (Plastic Films Segment)	Atlanta	AEP Industries	South Hackensack	Manufactures plastic stretch films, custom films and institutional products	99.20		

EV = Enterprise Value
\$mm = dollars in millions

Watermark Windows

Southeast U.S. Economic Update

MEMBER FINRA/SIPC

Consumer Spending

During the 4Q 2008, Southeast households benefitted from decreased gasoline prices, but this was not enough to boost overall retail spending. Heading into the holiday season, retailers indicated weak sales and expected weaknesses to continue through December. To persuade consumers to shop, several retailers noted they have expanded store hours, increased advertising, and plan deeper discounts. Stores also began offering layaways as an incentive for budget-conscious shoppers who are unable or unwilling to use credit. Auto sales further decreased, and dealers noted that sales traffic was much lower than year-ago levels.

Manufacturing and Transportation

Manufacturers reported declines in production and new orders during October and early November compared to year-ago levels. The decline in production was exacerbated by the decline in export demand. Manufacturers also noted decreases in payrolls and hours, and most expected weak conditions to continue into 2009. Manufacturing companies also reported that they had scaled back their capital investment plans. Transportation companies reported lower shipments of automotive and construction materials, far offsetting moderate gains in shipments of chemicals and coal. Managers also reported lower holiday-related shipments of consumer goods.

Real Estate and Construction

Homebuilders and realtors continued to report weak new and existing home sales in October through mid-November and attributed the weakness to financing restrictions. However, Florida saw moderate increases in sales over weak year-ago levels. Due to historically high inventory numbers, homebuilders started few construction projects. Home prices continued to decline indicating that the large volume of foreclosed properties for sale was exerting downward pressure on new and existing home prices.



Watermark Windows

Southeast U.S. Economic Update

MEMBER FINRA/SIPC

Banking and Finance

Business and consumer lending activity decreased during October through mid-November. Credit conditions remained tight, and banks saw increased competition for deposits. Some companies, especially those in the real estate industry, observed that the restricted access to credit was forcing them out of business. Most banking contacts indicated that they did not expect credit conditions to change in the near-term as banks focus on repairing their damaged balance sheets.

Employment and Prices

Companies across all industries observed accelerated layoff and declines in hours. Retailers scaled back plans for holiday-related hiring due to weakened sales expectations. For companies that said they were hiring, many indicated difficulty in recruiting workers because of increasing relocation costs resulting from having to sell an existing home.

Due to lower input costs and weakened demand, many companies said they did not plan on raising output prices. Those in manufacturing, business equipment supply, and construction indicated stabilizing prices after a long run of increases in recent years. Some retail and food service contacts reported higher input costs but also indicated that they were unsuccessful in passing costs onto customers.



Watermark Windows

Yield Curve Steepens 256 bps Year-Over-Year as Dow Loses 35% of its Value

MEMBER FINRA/SIPC

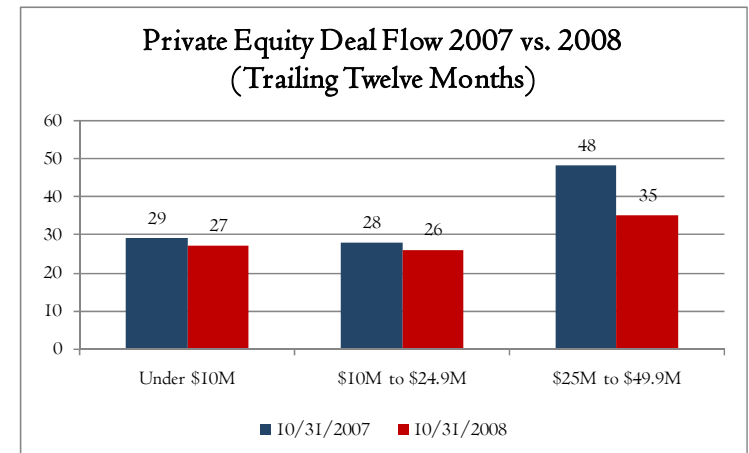
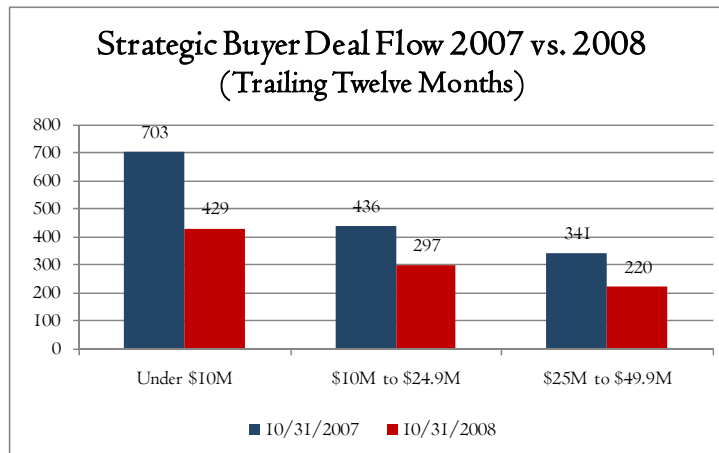
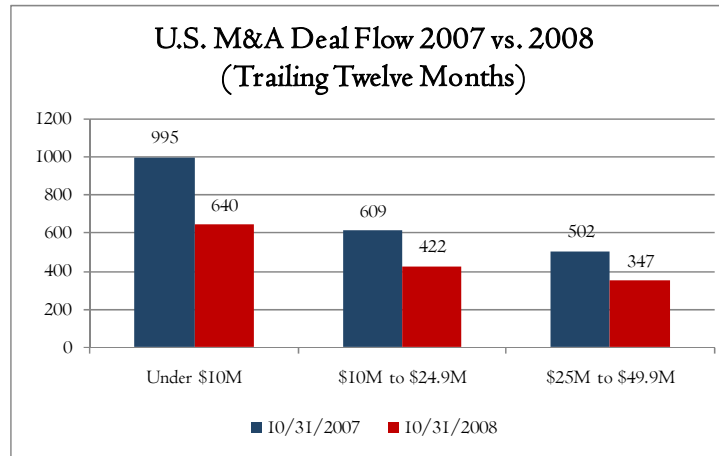
	91-Day T-Bills	10-Year Treasuries	Spread	Dow Jones Industrial Avg,	S&P 500	NYSE Composite	NASDAQ Composite
	<i>(Average in %)</i>			<i>(End of Period)</i>			
November '08	0.17	3.52	3.36	8,614.55	883.04	5527.63	1,542.70
October '08	0.61	3.78	3.17	9,177.73	968.80	6,130.39	1,730.32
September '08	1.06	3.68	2.62	11,114.08	1,216.95	7886.29	2,205.66
August '08	1.70	3.89	2.18	11,530.75	1,281.47	8,362.20	2,389.27
July '08	1.66	4.01	2.35	11,378.02	1,267.38	8,438.64	2,325.55
June '08	1.89	4.10	2.21	11,350.01	1,280.00	8,660.48	2,292.98
May '08	1.76	3.88	2.12	12,638.32	1,400.38	9,401.08	2,522.66
April '08	1.31	3.68	2.36	12,820.13	1,385.59	9,299.60	2,412.80
March '08	1.30	3.41	2.11	12,262.89	1,322.70	8,797.29	2,279.10
February '08	1.84	3.54	1.70	12,266.39	1,330.63	8,962.46	2,271.48
January '08	2.82	3.74	0.92	12,650.36	1,378.55	9,126.16	2,389.86
December '07	3.07	4.10	1.03	13,264.82	1,468.36	9,740.32	2,652.28
November '07	3.35	4.15	0.80	13,371.72	1,481.14	9,856.85	2,660.96
October '07	4.00	4.53	0.53	13,930.01	1,549.38	10,311.61	2,859.12
September '07	3.99	4.52	0.53	13,895.63	1,526.75	10,039.28	2,701.50
3 Months (Aug '07 - Nov '07)	3.78	4.40	0.62	13,732.45	1,519.09	10,069.25	2,740.53
3 Months (Aug '08 - Nov '08)	0.61	3.66	3.05	9,635.46	1,022.93	6,514.77	1,826.22
Percentage Change				-29.83%	-32.66%	-35.30%	-33.36%



Watermark Windows

M&A Deal Flow Declines 33% Through October

MEMBER FINRA/SIPC



Watermark Windows

M&A Deal Flow Slows in Southeast U.S.

MEMBER FINRA/SIPC

	2006		2007		YTD 12/03/08	
	Sellside	Buyside	Sellside	Buyside	Sellside	Buyside
South Carolina	86	55	72	33	34	24
North Carolina	205	198	193	167	113	124
Georgia	280	289	269	240	139	145
Florida	687	560	575	510	357	328
Tennessee	165	145	133	105	65	51
TOTAL	1,423	1,247	1,242	1,055	708	672

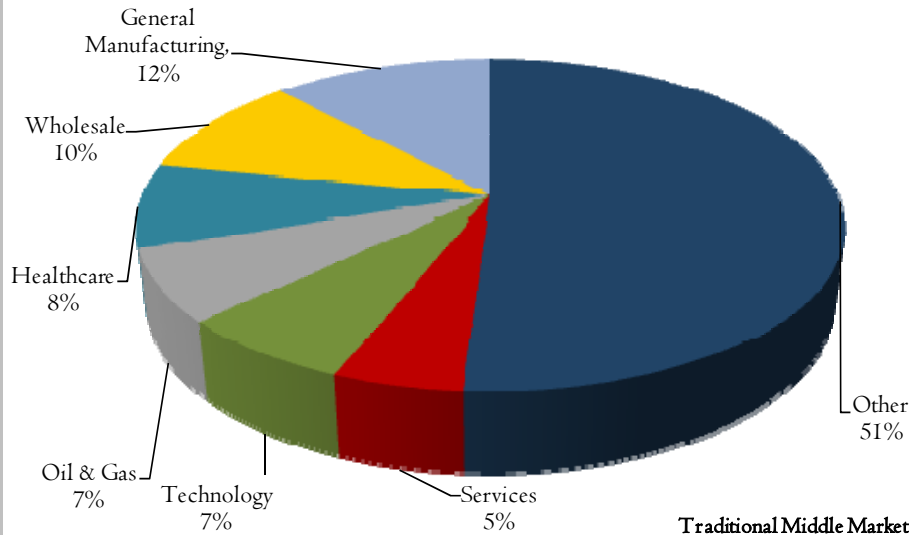


Watermark Windows

Traditional Middle Market Loan Issuance, IQ-3Q 2008

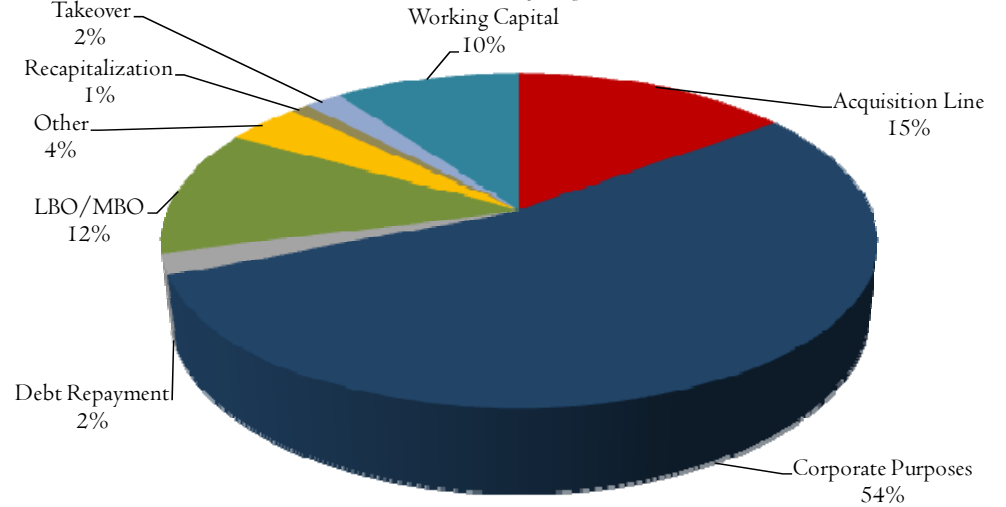
MEMBER FINRA/SIPC

Traditional Middle Market Loan Volume by Industry - 2008 YTD November



	Financing Amount
Middle Market	≤ \$500 million
Traditional Middle Market	≤ \$100 million
Large Middle Market	\$100-\$500 million

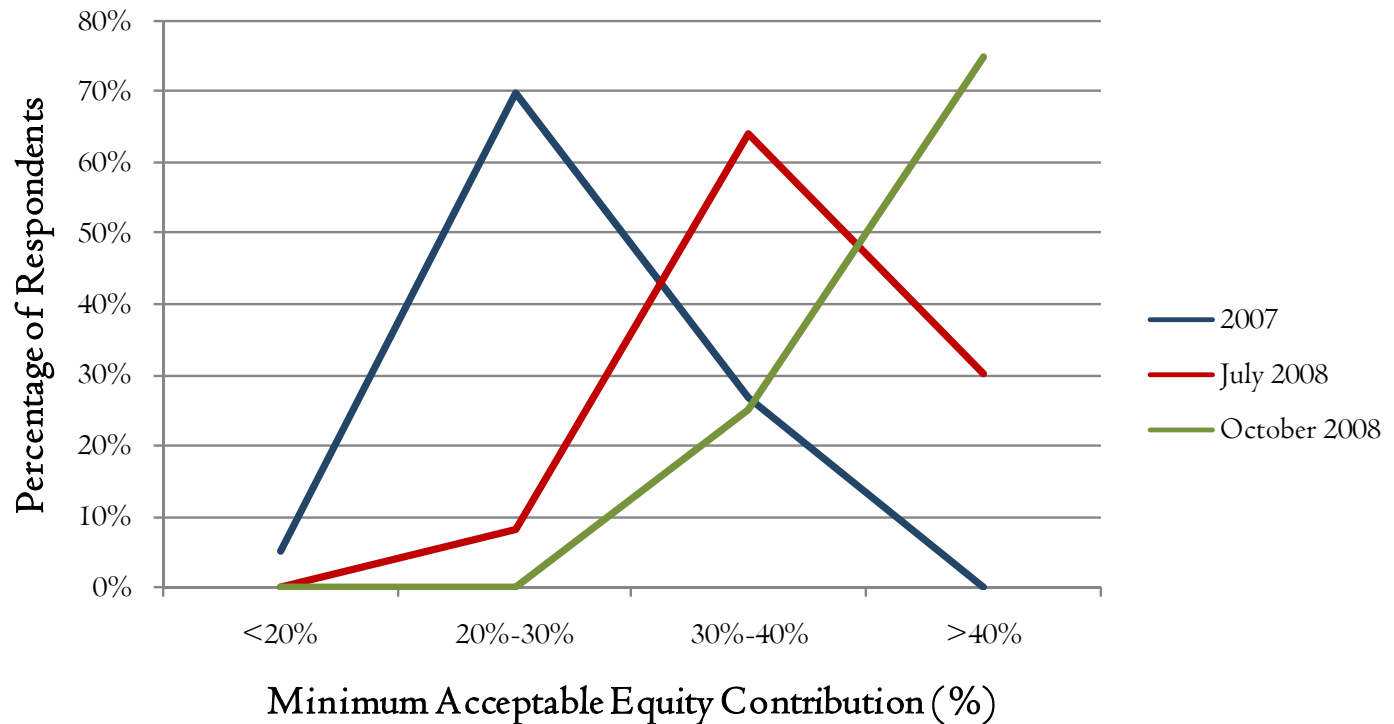
Traditional Middle Market Loan Volume by Purpose - 2008 YTD November



Watermark Windows

Lenders Requiring Larger Portions of Equity in Sponsor-Backed Transactions

MEMBER FINRA/SIPC



- In Reuters LPC's Quarterly Middle Market Survey, 75 percent of lenders said the minimum amount of equity contribution is at least 40 percent, compared to 70 percent of respondents requiring 20-30 percent equity in 2007
- As senior lenders pull back, 82 percent of respondents say mezzanine lending will play a larger role though senior loans will still dominate



Watermark Windows

Pricing Grids & Covenant Levels by Industry – Changes Since December 2006

MEMBER FINRA/SIPC

	Healthcare			Manufacturing			Services		
	December 2006	August 2007	November 2008	December 2006	August 2007	November 2008	December 2006	August 2007	November 2008
Debt to EBITDA	LIB+	LIB+	LIB+	LIB+	LIB+	LIB+	LIB+	LIB+	LIB+
<i>(x:1)</i>	<i>(bps)</i>	<i>(bps)</i>	<i>(bps)</i>	<i>(bps)</i>	<i>(bps)</i>	<i>(bps)</i>	<i>(bps)</i>	<i>(bps)</i>	<i>(bps)</i>
1.00	108.9	95.6	158.1	148.4	99.0	141.1	166.6	143.5	167.7
1.25	110.7	98.3	159.3	155.6	99.1	142.5	193.7	150.7	176.0
1.50	125.0	112.9	166.6	165.5	130.3	170.7	206.2	168.2	187.5
1.75	128.1	120.4	166.6	177.9	135.9	171.9	216.6	175.3	191.6
2.00	151.3	137.0	195.8	191.1	157.1	200.0	233.3	186.0	211.3
2.25	154.1	144.5		195.7	162.5	200.0	241.6	170.8	213.6
2.50	164.0	148.3		214.3	193.7	220.8	233.3	178.5	242.8
2.75	167.1	148.0		237.8	193.7	220.8	241.6	178.5	
3.00	184.3	158.7		242.0	225.0	245.0	241.6	215.6	
3.25	184.3	171.2		203.8	231.2	245.0	258.3		
3.50	195.8			233.3	233.3				
3.75	195.8			241.6	233.3				
4.00				250.0	258.3				
4.25				250.0	258.3				

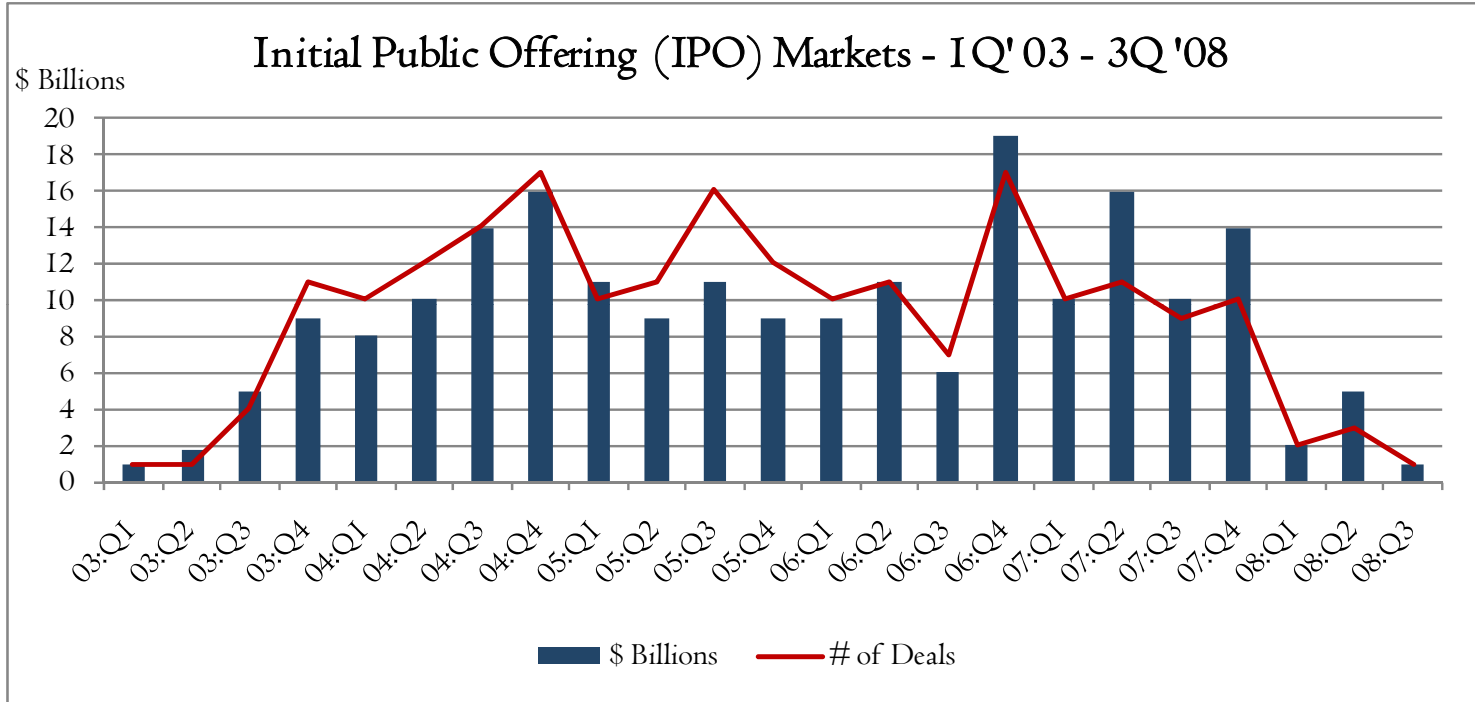
Time periods are trailing twelve months (TTM)



Watermark Windows

Total Initial Public Offering (IPOs) Issuance Decline

MEMBER FINRA/SIPC



- U.S. IPOs raised \$1.2 billion in Q3 2008, down 91.5 percent from Q3 2007

Watermark Windows

Trading Analysis – Manufacturing – Automotive Parts Suppliers

MEMBER FINRA/SIPC

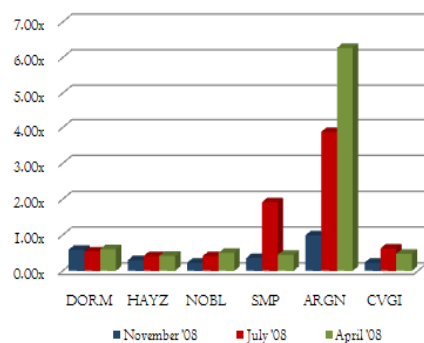
Company	Margin Analysis					Enterprise Value /											
	P/E	F P/E	Gross Profit	EBITDA	EBIT	November '08 Sales	July '08 Sales	April '08 Sales	November '08 EBITDA	July '08 EBITDA	April '08 EBITDA	November '08 EBIT	July '08 EBIT	April '08 EBIT	November '08 Assets	July '08 Assets	April '08 Assets
Dorman Products, Inc.	9.17	8.05	33.5%	12.1%	9.8%	0.59x	0.54x	0.60x	4.87x	4.60x	4.73x	6.01x	5.73x	5.81x	0.79x	0.75x	0.86x
Hayes Lemmerz International, Inc.	N/A	N/A	10.6%	3.3%	-1.8%	0.30x	0.41x	0.42x	9.18x	11.78x	10.24x	n.m.	n.m.	n.m.	0.37x	0.49x	0.53x
Noble International, Ltd.*	0.79	N/A	6.7%	4.7%	0.2%	0.22x	0.41x	0.50x	4.74x	8.66x	10.02x	118.09x	42.44x	33.51x	0.36x	0.50x	0.55x
Standard Motor Products, Inc	17.18	9.00	23.7%	2.7%	0.8%	0.36x	0.50x	0.45x	13.57x	12.06x	9.43x	44.62x	21.84x	15.82x	0.42x	0.55x	0.52x
Amerigon Incorporated**	11.31	15.62	31.9%	11.8%	10.1%	0.99x	3.88x	6.27x	8.36x	29.62x	47.76x	9.85x	32.89x	51.82x	1.13x	4.27x	7.13x
Commercial Vehicle Group, Inc.***	N/A	12.88	9.9%	5.6%	3.1%	0.23x	0.62x	0.48x	4.08x	13.36x	9.06x	7.22x	28.81x	16.40x	0.29x	0.69x	0.59x
Median			17.1%	5.1%	2.0%	0.33x	0.52x	0.49x	6.61x	11.92x	9.73x	9.85x	28.81x	16.40x	0.40x	0.62x	0.57x
Mean			19.4%	6.7%	3.7%	0.45x	1.06x	1.45x	7.47x	13.34x	15.21x	37.16x	26.34x	24.67x	0.56x	1.21x	1.70x
Min			6.7%	2.7%	n.m.	0.22x	0.41x	0.42x	4.08x	4.60x	4.73x	6.01x	5.73x	5.81x	0.29x	0.49x	0.52x
Max			33.5%	12.1%	10.1%	0.99x	3.88x	6.27x	13.57x	29.62x	47.76x	118.09x	42.44x	51.82x	1.13x	4.27x	7.13x

* High EV/EBIT due to increases in Depreciation

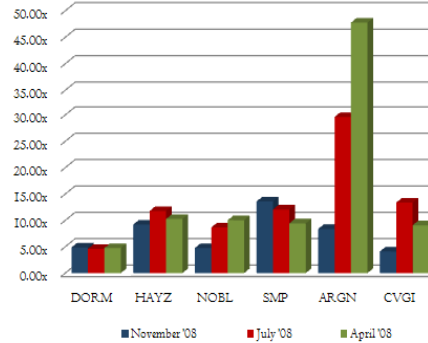
** Low EV/Sales, EV/EBITDA, EV/EBIT and EV/Assets due to a decreased stock price from \$11.45 in May to \$3.69 in November

*** Low EV/Sales, EV/EBITDA, EV/EBIT, and EV/Assets due to a decreased stock price from \$13.01 in May to \$1.14 in November

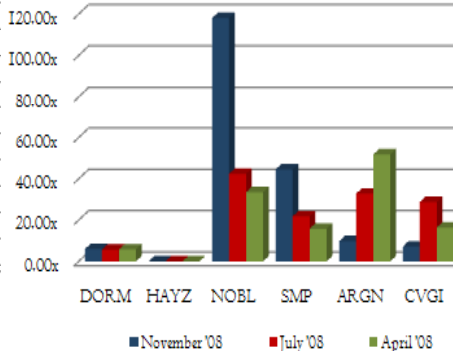
EV/Sales



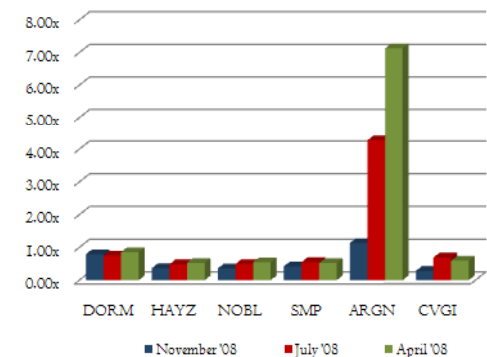
EV/EBITDA



EV/EBIT



EV/Assets



P/E = Price to earnings ratio

F P/E = Forward price to earnings ratio

Not Material ("n.m.") signifies a net loss.

Watermark Windows

Trading Analysis – Banking/Finance – Commercial Banks

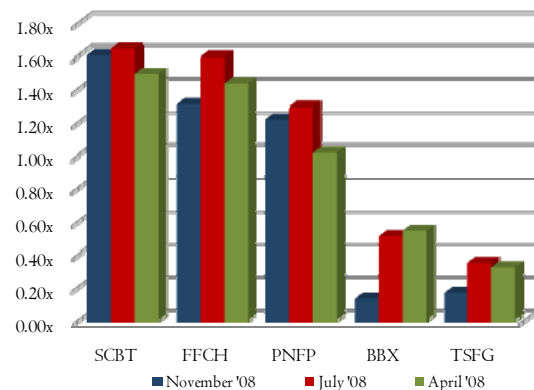
MEMBER FINRA/SIPC

Company	P/E	F P/E	LTM Sales	Market Capitalization	November '08	July '08	April '08	November '08	July '08	April '08
					Price to Book (Equity)	Price to Book (Equity)	Price to Book (Equity)	Price to Sales (LTM)	Price to Sales (LTM)	Price to Sales (LTM)
SCBT Financial Corp.	17.61	12.70	\$179,097,000	\$351,441,550	1.60x	1.64x	1.49x	1.96x	1.90x	1.79x
First Financial Holdings, Inc.	8.46	6.74	\$226,858,000	\$244,998,654	1.30x	1.59x	1.43x	1.08x	1.30x	1.27x
Pinnacle Financial Partners, Inc.	17.40	13.86	\$229,436,719	\$622,588,020	1.21x	1.29x	1.01x	2.71x	3.15x	2.72x
BankAtlantic Bancorp, Inc.*	N/A	N/A	\$475,510,000	\$50,103,133	0.13x	0.51x	0.54x	0.11x	0.43x	0.47x
The South Financial Group Inc.	N/A	N/A	\$889,712,000	\$249,799,674	0.16x	0.35x	0.32x	0.28x	0.49x	0.50x
Median					1.21 x	1.29 x	1.01 x	1.08 x	1.30 x	1.27x
Mean					0.88x	1.07x	0.96x	1.23x	1.45x	1.35x
Min					0.13x	0.35x	0.32x	0.11x	0.43x	0.47x
Max					1.60x	1.64x	1.49x	2.71x	3.15x	2.72x

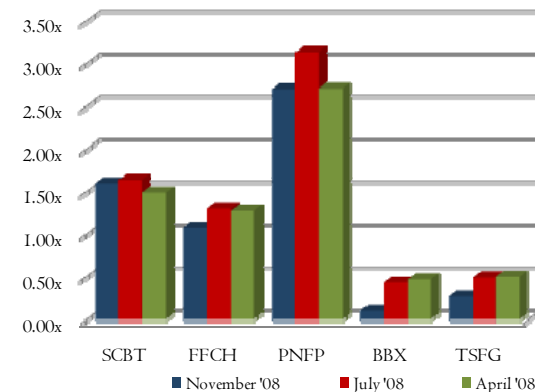
*On September 26, 2008, BankAtlantic Bancorp completed a one-for-five reverse stock split. While the company's stock price increased since the previous period, it did not increase enough to offset the decreased shares as result of the reverse stock split. BankAtlantic Bancorp's multiples are lower in comparison to the first three banks due to this decreased stock price

** In comparison to the first three banks, The South Financial Group has lower multiples due to the company's stock price decreasing from \$6.58 in May to \$3.38 in November

Price to Book (Equity)



Price to Sales (LTM)



“Price” is derived from Market Capitalization

“Sales” includes interest income and noninterest income

P/E = Price to earnings ratio

F P/E = Forward price to earnings ratio

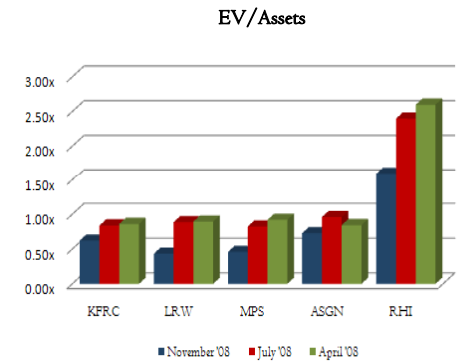
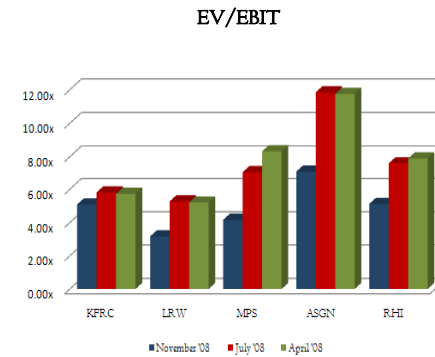
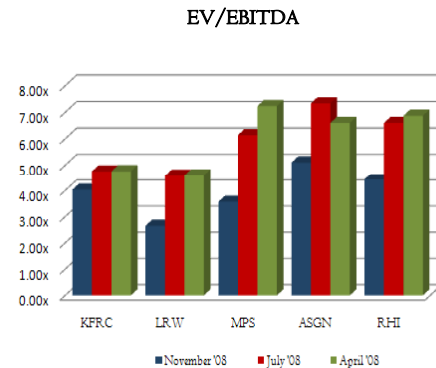
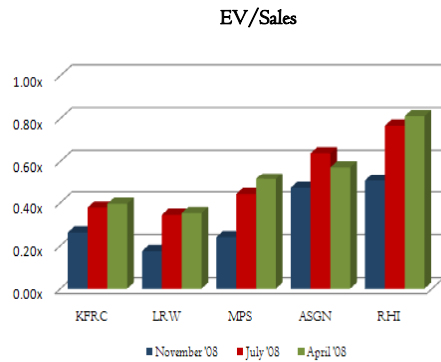
Not Material (“n.m.”) signifies a net loss.

Watermark Windows

Trading Analysis – Business Services – Staffing

MEMBER FINRA/SIPC

Company	Margin Analysis					Enterprise Value /											
	P/E	F P/E	Gross Profit	EBITDA	EBIT	November '08 Sales	July '08 Sales	April '08 Sales	November '08 EBITDA	July '08 EBITDA	April '08 EBITDA	November '08 EBIT	July '08 EBIT	April '08 EBIT	November '08 Assets	July '08 Assets	April '08 Assets
Kforce Inc.	7.0I	11.60	34.9%	6.5%	5.1%	0.26x	0.38x	0.40x	4.03x	4.76x	4.77x	5.09x	5.81x	5.73x	0.62x	0.84x	0.86x
TrueBlue, Inc.	4.66	8.78	30.4%	6.6%	5.5%	0.17x	0.34x	0.35x	2.65x	4.59x	4.61x	3.16x	5.27x	5.21x	0.43x	0.89x	0.89x
MPS Group Inc.	5.84	11.74	28.9%	6.7%	5.7%	0.24x	0.44x	0.51x	3.57x	6.14x	7.24x	4.17x	7.08x	8.32x	0.46x	0.82x	0.92x
On Assignment Inc.	9.70	8.85	32.0%	9.2%	6.6%	0.47x	0.64x	0.57x	5.10x	7.34x	6.60x	7.11x	11.84x	11.75x	0.73x	0.96x	0.84x
Robert Half International Inc.	8.93	23.14	42.1%	11.4%	9.9%	0.50x	0.77x	0.81x	4.43x	6.60x	6.87x	5.12x	7.61x	7.90x	1.60x	2.40x	2.60x
Median			32.0%	6.7%	5.7%	0.26x	0.44x	0.51x	4.03x	6.14x	6.60x	5.09x	7.08x	7.90x	0.62x	0.89x	0.89x
Mean			33.7%	8.1%	6.6%	0.33x	0.51x	0.53x	3.96x	5.89x	6.02x	4.93x	7.52x	7.78x	0.77x	1.18x	1.22x
Min			28.9%	6.5%	5.1%	0.17x	0.34x	0.35x	2.65x	4.59x	4.61x	3.16x	5.27x	5.21x	0.43x	0.82x	0.84x
Max			42.1%	11.4%	9.9%	0.50x	0.77x	0.81x	5.10x	7.34x	7.24x	7.11x	11.84x	11.75x	1.60x	2.40x	2.60x



P/E = Price to earnings ratio
 F P/E = Forward price to earnings ratio
 Not Material ("n.m.") signifies a net loss.

Watermark Windows

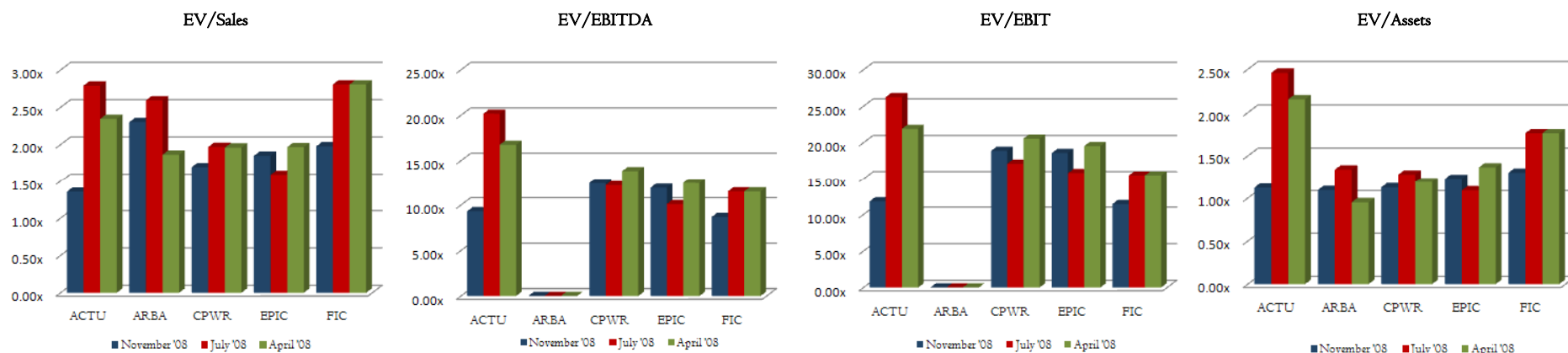
Trading Analysis – Enterprise Resource Planning Software

MEMBER FINRA/SIPC

Company	Margin Analysis						Enterprise Value /																
	P/E	F P/E	Gross			November '08			July '08			April '07			November '08			July '08			April '07		
			Profit	EBITDA	EBIT	Sales	Sales	Sales	EBITDA	EBITDA	EBITDA	EBIT	EBIT	EBIT	Assets	Assets	Assets						
Actuate Corp.	9.35	9.17	81.0%	12.0%	9.1%	0.83x	1.64x	1.35x	6.88x	12.73x	20.17x	9.11x	16.67x	26.26x	0.68x	1.39x	2.46x						
Ariba Inc.	N/A	7.58	54.7%	n.m.	n.m.	1.87x	2.98x	2.30x	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	0.98x	1.48x	1.34x						
Compuware Corp.*	9.18	7.61	60.2%	20.4%	15.9%	1.15x	1.97x	1.70x	5.67x	12.09x	12.21x	7.27x	16.70x	17.09x	0.80x	1.20x	1.28x						
Epicor Software Corp.	10.14	5.06	45.3%	11.9%	4.3%	1.01x	1.78x	1.85x	8.48x	14.24x	10.12x	23.52x	28.68x	15.81x	0.60x	0.92x	1.09x						
Fair Isaac Corp.	6.44	5.95	60.5%	19.3%	14.3%	1.48x	2.02x	1.98x	7.63x	9.46x	11.51x	10.32x	12.59x	15.48x	0.91x	1.34x	1.76x						

	Profit	EBITDA	EBIT	Sales	Sales	Sales	EBITDA	EBITDA	EBITDA	EBIT	EBIT	EBIT	Assets	Assets	Assets
Median	60.2%	15.7%	11.7%	1.15x	1.97x	1.85x	7.25x	12.41x	11.86x	9.72x	16.69x	16.45x	0.80x	1.34x	1.34x
Mean	60.4%	15.9%	10.9%	1.27x	2.08x	1.84x	7.16x	12.13x	13.50x	12.56x	18.66x	18.66x	0.79x	1.27x	1.59x
Min	45.3%	11.9%	4.3%	0.83x	1.64x	1.35x	5.67x	9.46x	10.12x	7.27x	12.59x	15.48x	0.60x	0.92x	1.09x
Max	81.0%	20.4%	15.9%	1.87x	2.98x	2.30x	8.48x	14.24x	20.17x	23.52x	28.68x	26.26x	0.98x	1.48x	2.46x

* Decreased EV/EBITDA due to a decrease in stock price from \$10.07 in May to \$5.25 in November



P/E = Price to earnings ratio
 F P/E = Forward price to earnings ratio
 Not Material ("n.m.") signifies a net loss.

Watermark Windows

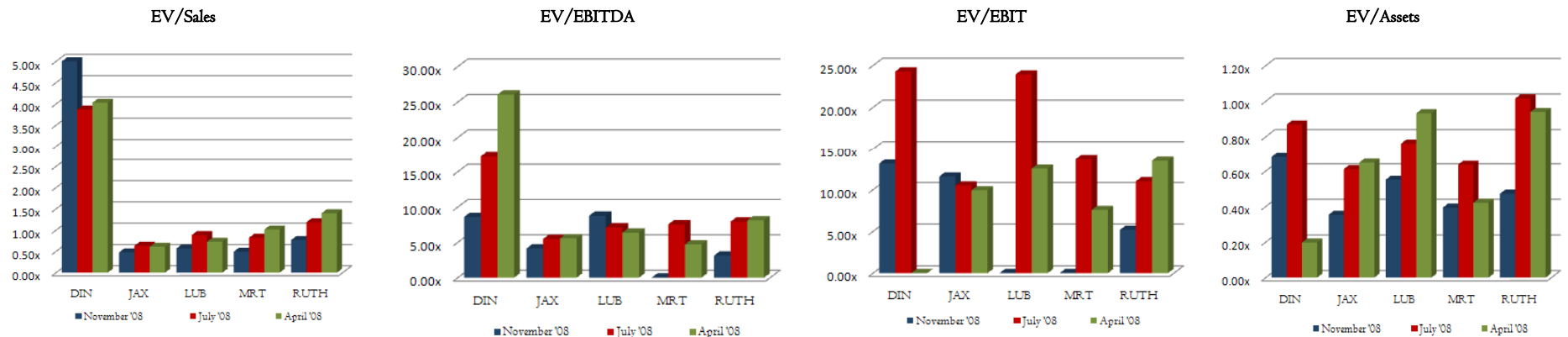
Trading Analysis – Restaurants

MEMBER FINRA/SIPC

Company	P/E	F P/E	Margin Analysis			Enterprise Value /											
			Gross Profit	EBITDA	EBIT	November '08	July '08	April '08	November '08	July '08	April '08	November '08	July '08	April '08			
DineEquity*	N/A	5.11	27.1%	19.2%	12.6%	1.65x	3.89x	1.56x	8.60x	17.18x	26.05x	13.14x	24.28x	n.m.	0.68x	0.87x	0.20x
J. Alexander Corp.	7.53	N/A	35.2%	6.4%	2.3%	0.27x	0.45x	0.48x	4.14x	5.49x	5.55x	11.58x	10.50x	9.92x	0.35x	0.61x	0.65x
Luby's Inc.	43.21	175.00	15.6%	4.5%	-1.1%	0.39x	0.55x	0.68x	8.76x	7.11x	6.37x	n.m.	23.93x	12.53x	0.55x	0.76x	0.93x
Mortons Restaurant Group Inc	N/A	7.36	17.5%	-13.2%	-16.6%	0.28x	0.55x	0.37x	n.m.	7.53x	4.69x	n.m.	13.66x	7.57x	0.39x	0.64x	0.42x
Ruth's Chris Steak House Inc.**	1.97	2.63	22.2%	10.0%	6.0%	0.31x	1.07x	0.77x	3.11x	7.93x	8.11x	5.18x	11.01x	13.48x	0.47x	1.02x	0.94x
Median			22.2%	6.4%	2.3%	0.31x	0.55x	0.68x	6.37x	7.53x	6.37x	11.58x	13.66x	11.23x	0.47x	0.76x	0.65x
Mean			23.5%	5.4%	0.6%	0.58x	1.30x	0.77x	6.15x	9.05x	10.15x	9.97x	16.68x	10.87x	0.49x	0.78x	0.63x
Min			15.6%	n.m.	n.m.	0.27x	0.45x	0.37x	3.11x	5.49x	4.69x	5.18x	10.50x	7.57x	0.35x	0.61x	0.20x
Max			35.2%	19.2%	12.6%	1.65x	3.89x	1.56x	8.76x	17.18x	26.05x	13.14x	24.28x	13.48x	0.68x	1.02x	0.94x

*Lower multiples due to decreased stock price from \$49.1 in May to \$5.04 in November

** Lower multiples due to decreased stock price from \$7.60 in May to \$1.65 in November



P/E = Price to earnings ratio
 F P/E = Forward price to earnings ratio
 Not Material ("n.m.") signifies a net loss.

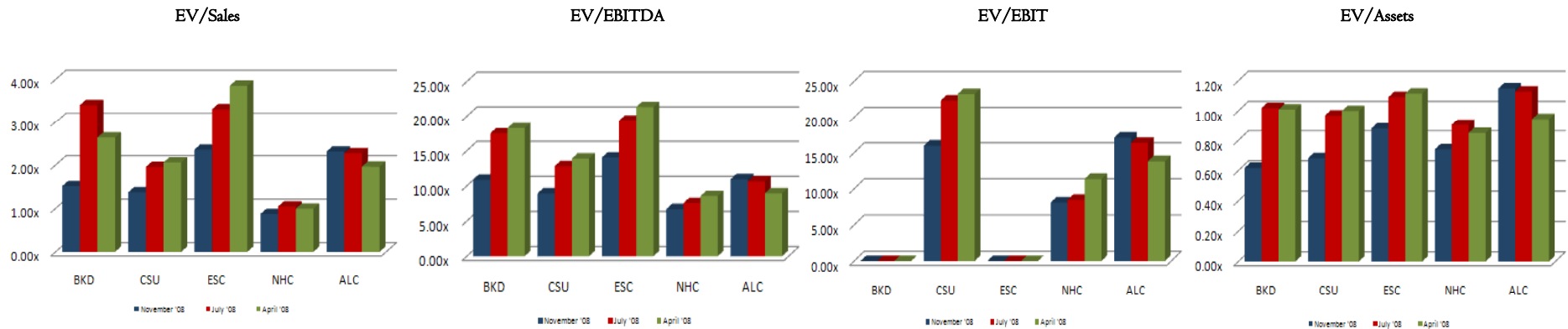
Watermark Windows

Trading Analysis – Senior Living Facilities

MEMBER FINRA/SIPC

Company	P/E	F P/E	Margin Analysis			Enterprise Value /											
			Gross Profit	EBITDA	EBIT	November '08 Sales	July '08 Sales	April '08 Sales	November '08 EBITDA	July '08 EBITDA	April '08 EBITDA	November '08 EBIT	July '08 EBIT	April '08 EBIT	November '08 Assets	July '08 Assets	April '08 Assets
Brookdale Senior Living Inc.	N/A	N/A	20.8%	13.9%	-0.9%	1.51x	3.40x	2.64x	10.88x	17.51x	18.25x	n.m.	n.m.	n.m.	0.62x	1.02x	1.01x
Capital Senior Living Corp.	14.21	11.20	30.3%	15.4%	8.6%	1.37x	1.96x	2.06x	8.94x	12.81x	13.88x	15.96x	22.34x	23.24x	0.68x	0.97x	1.00x
Emeritus Corp.	N/A	N/A	23.9%	16.8%	-0.4%	2.35x	3.31x	3.85x	14.04x	19.39x	21.35x	n.m.	n.m.	n.m.	0.88x	1.09x	1.12x
National Healthcare Corp.	N/A	N/A	47.3%	13.0%	10.8%	0.87x	1.05x	0.99x	6.69x	7.56x	8.56x	8.10x	8.46x	11.34x	0.74x	0.90x	0.85x
Assisted Living Concepts Inc.	14.02	12.41	27.1%	21.1%	13.5%	2.31x	2.27x	1.96x	10.96x	10.65x	8.95x	17.08x	16.37x	13.80x	1.15x	1.13x	0.94x

Median	27.1%	15.4%	8.6%	1.51x	2.27x	2.06x	10.88x	12.81x	13.88x	15.96x	16.37x	13.80x	0.74x	1.02x	1.00x
Mean	29.9%	16.0%	6.3%	1.69x	2.40x	2.30x	10.30x	13.58x	14.20x	13.71x	15.72x	16.13x	0.81x	1.02x	0.98x
Min	20.8%	13.0%	n.m.	0.87x	1.05x	0.99x	6.69x	7.56x	8.56x	8.10x	8.46x	11.34x	0.62x	0.90x	0.85x
Max	47.3%	21.1%	13.5%	2.35x	3.40x	3.85x	14.04x	19.39x	21.35x	17.08x	22.34x	23.24x	1.15x	1.13x	1.12x



P/E = Price to earnings ratio
 F P/E = Forward price to earnings ratio
 Not Material ("n.m.") signifies a net loss.

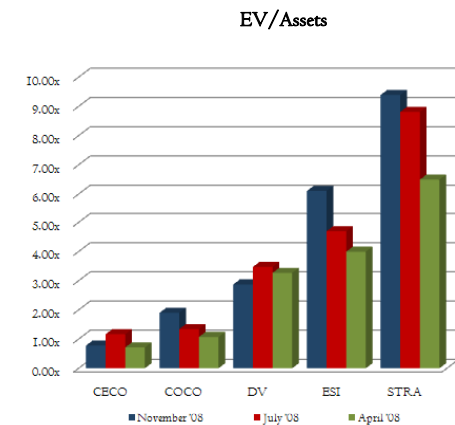
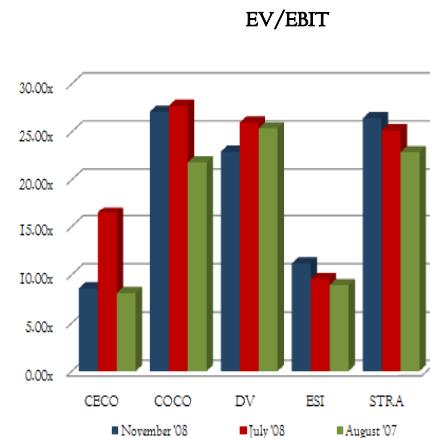
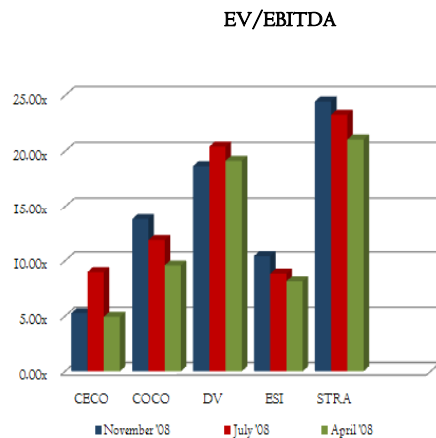
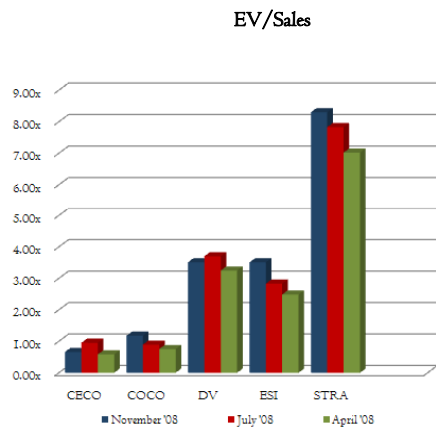
Watermark Windows

Trading Analysis – Education & Training (Facility-Based)

MEMBER FINRA/SIPC

Company	Margin Analysis					Enterprise Value /											
	P/E	F P/E	Gross Profit	EBITDA	EBIT	November '08 Sales	July '08 Sales	April '08 Sales	November '08 EBITDA	July '08 EBITDA	April '08 EBITDA	November '08 EBIT	July '08 EBIT	April '08 EBIT	November '08 Assets	July '08 Assets	April '08 Assets
Career Education Corp.	36.56	24.14	62.5%	12.6%	7.7%	0.66x	0.95x	0.58x	5.25x	8.97x	4.91x	8.59x	16.46x	8.10x	0.78x	1.17x	0.71x
Corinthian Colleges, Inc.	43.92	14.71	40.9%	8.5%	4.3%	1.18x	0.89x	0.75x	13.77x	11.86x	9.57x	27.09x	27.72x	21.81x	1.90x	1.34x	1.07x
DeVry, Inc.	26.65	17.96	54.4%	18.8%	15.3%	3.51x	3.70x	3.25x	18.66x	20.41x	19.13x	22.93x	25.96x	25.36x	2.87x	3.47x	3.27x
ITT Education Services Inc.	15.17	12.71	61.6%	33.6%	31.4%	3.50x	2.83x	2.48x	10.42x	8.82x	8.14x	11.17x	9.55x	8.93x	6.11x	4.70x	3.99x
Strayer Education Inc.	40.03	30.26	66.4%	33.9%	31.4%	8.30x	7.83x	7.02x	24.46x	23.27x	21.04x	26.41x	25.17x	22.88x	9.39x	8.81x	6.49x

	Gross Profit	EBITDA	EBIT	November '08 Sales	July '08 Sales	April '08 Sales	November '08 EBITDA	July '08 EBITDA	April '08 EBITDA	November '08 EBIT	July '08 EBIT	April '08 EBIT	November '08 Assets	July '08 Assets	April '08 Assets
Median	61.6%	18.8%	15.3%	3.50x	2.83x	2.48x	13.77x	11.86x	9.57x	22.93x	25.17x	21.81x	2.87x	3.47x	3.27x
Mean	57.2%	21.5%	18.0%	3.43x	3.24x	2.82x	14.51x	14.67x	12.56x	19.24x	20.97x	17.42x	4.21x	3.90x	3.11x
Min	40.9%	8.5%	4.3%	0.66x	0.89x	0.58x	5.25x	8.82x	4.91x	8.59x	9.55x	8.10x	0.78x	1.17x	0.71x
Max	66.4%	33.9%	31.4%	8.30x	7.83x	7.02x	24.46x	23.27x	21.04x	27.09x	27.72x	25.36x	9.39x	8.81x	6.49x



P/E = Price to earnings ratio
 F P/E = Forward price to earnings ratio
 Not Material ("n.m.") signifies a net loss.

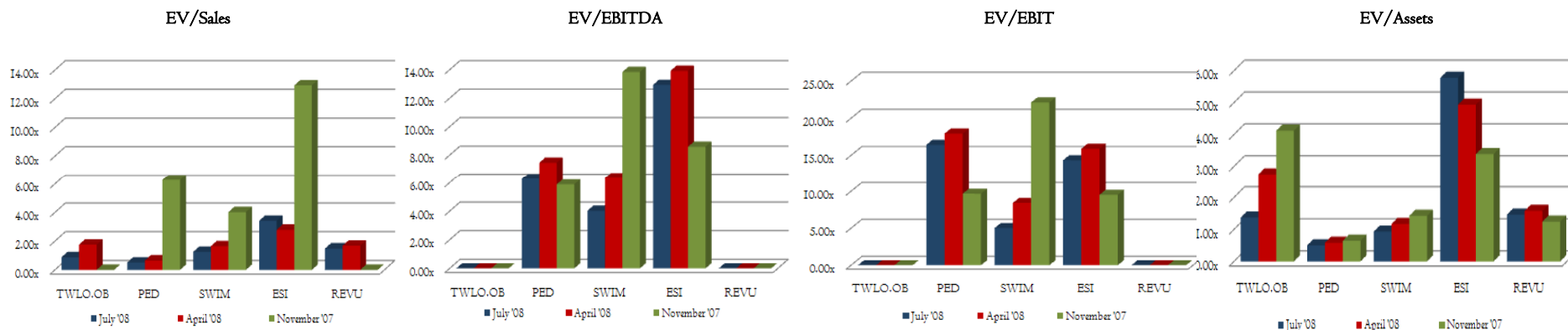
Watermark Windows

Trading Analysis – Education & Training (Software-Based)

MEMBER FINRA/SIPC

Company	Margin Analysis						Enterprise Value /											
	P/E	F P/E	Gross Profit	EBITDA	EBIT		November '08 Sales	July '08 Sales	April '08 Sales	November '08 EBITDA	July '08 EBITDA	April '08 EBITDA	November '08 EBIT	July '08 EBIT	April '08 EBIT	November '08 Assets	July '08 Assets	April '08 Assets
TWL Corporation	N/A	N/A	73.2%	-28.1%	-34.7%		0.88x	1.76x	1.96x	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	1.37x	2.75x	4.12x
SmartPros Ltd.	13.86	N/A	55.5%	8.3%	3.2%		0.52x	0.66x	0.74x	6.29x	7.47x	5.88x	16.41x	17.92x	9.66x	0.50x	0.58x	0.64x
thinkorswim Group Inc.*	5.19	6.37	62.0%	31.2%	25.0%		1.26x	1.65x	2.28x	4.03x	6.36x	13.84x	5.03x	8.42x	22.12x	0.93x	1.17x	1.42x
Apollo Group Inc.	22.88	16.00	56.4%	26.5%	23.9%		3.42x	2.80x	2.22x	12.94x	13.92x	8.59x	14.34x	15.89x	9.51x	5.78x	4.94x	3.39x
Princeton Review Inc.	N/A	18.46	60.1%	-0.8%	-5.8%		1.49x	1.69x	1.03x	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	1.46x	1.58x	1.24x

	Gross Profit	EBITDA	EBIT	November '08 Sales	July '08 Sales	April '08 Sales	November '08 EBITDA	July '08 EBITDA	April '08 EBITDA	November '08 EBIT	July '08 EBIT	April '08 EBIT	November '08 Assets	July '08 Assets	April '08 Assets
Median	60.1%	8.3%	3.2%	1.26x	1.69x	1.96x	6.29x	7.47x	5.88x	14.34x	15.89x	9.66x	1.37x	1.58x	1.42x
Mean	61.4%	7.4%	2.3%	1.51x	1.71x	1.65x	7.75x	9.25x	9.44x	11.93x	14.08x	13.77x	2.01x	2.20x	2.16x
Min	55.5%	n.m.	n.m.	0.52x	0.66x	0.74x	4.03x	6.36x	5.88x	5.03x	8.42x	9.51x	0.50x	0.58x	0.64x
Max	73.2%	31.2%	25.0%	3.42x	2.80x	2.28x	12.94x	13.92x	13.84x	16.41x	17.92x	22.12x	5.78x	4.94x	4.12x



P/E = Price to earnings ratio
 F P/E = Forward price to earnings ratio
 Not Material (“n.m.”) signifies a net loss.

Watermark Windows

Trading Analysis – Infrastructure

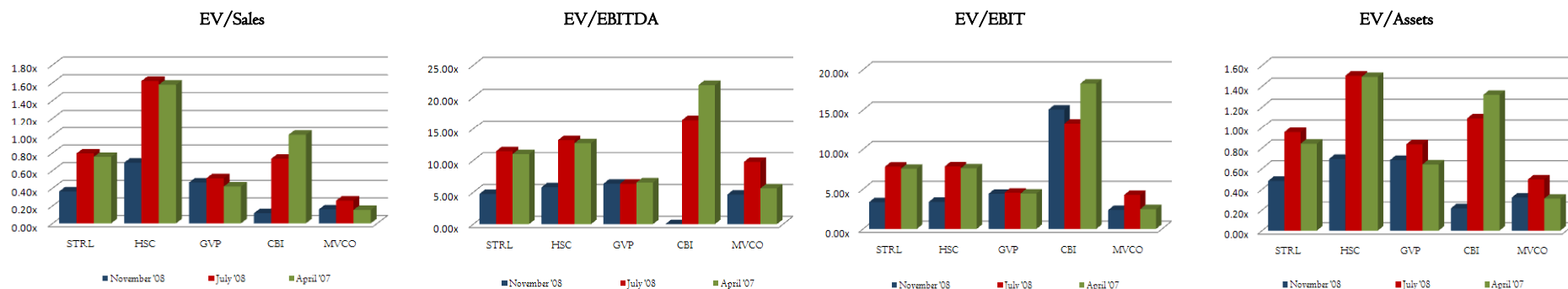
MEMBER FINRA/SIPC

Company	Margin Analysis					Enterprise Value /											
	P/E	F P/E	Gross Profit	EBITDA	EBIT	November '08 Sales	July '08 Sales	April '08 Sales	November '08 EBITDA	July '08 EBITDA	April '08 EBITDA	November '08 EBIT	July '08 EBIT	April '08 EBIT	November '08 Assets	July '08 Assets	April '08 Assets
Sterling Construction Co. Inc.	6.94	6.17	11.3%	10.8%	7.6%	0.36x	0.79x	0.75x	3.35x	7.82x	7.56x	4.75x	11.45x	10.99x	0.48x	0.96x	0.84x
Harsco Corp.*	4.83	5.86	27.1%	20.3%	11.9%	0.69x	1.62x	1.58x	3.40x	7.85x	7.61x	5.78x	13.20x	12.71x	0.69x	1.50x	1.49x
Granite Construction Inc.	207.83	29.88	16.8%	10.5%	7.3%	0.46x	0.51x	0.42x	4.42x	4.55x	4.45x	6.35x	6.33x	6.54x	0.68x	0.84x	0.64x
Chicago Bridge & Iron Company N.V.**	N/A	2.32	3.0%	0.8%	-0.5%	0.12x	0.73x	1.01x	15.04x	13.30x	18.28x	n.m.	16.42x	21.90x	0.22x	1.09x	1.32x
Meadow Valley Corp.	8.39	N/A	8.9%	6.7%	3.4%	0.16x	0.26x	0.15x	2.38x	4.27x	2.48x	4.65x	9.76x	5.61x	0.32x	0.50x	0.31x
Median			11.3%	10.5%	7.3%	0.36x	0.73x	0.75x	3.40x	7.82x	7.56x	5.27x	11.45x	10.99x	0.48x	0.84x	0.84x
Mean ***			13.4%	9.8%	6.0%	0.36x	0.78x	0.78x	5.72x	7.56x	8.07x	5.38x	11.43x	11.55x	0.48x	0.92x	0.92x
Min			3.0%	0.8%	n.m.	0.12x	0.26x	0.15x	2.38x	4.27x	2.48x	4.65x	6.33x	5.61x	0.22x	0.31x	0.31x
Max			27.1%	20.3%	11.9%	0.69x	1.62x	1.58x	15.04x	13.30x	18.28x	6.35x	16.42x	21.90x	0.69x	1.49x	1.49x

*Harsco Corp's Equity Value decreased drastically due to its stock price moving from \$60.92 in May 2008 to \$21.65 in November 2008

**Chicago Bridge & Iron Company's Equity Value also decreased drastically due its stock price moving from \$39.39 in May 2008 to \$7.43 in November 2008. The company's gross margin is also unusually low due to a dramatic increase in cost of goods sold from \$2.8MM in YTD September 2007 to \$4.3MM in YTD September 2008

*** In November '08, the mean EV/EBITDA is unusually higher than the mean EV/EBIT due to the Chicago Bridge Company's depressed EBITDA and EBIT due to an increase in cost of goods sold. The company recorded an EV/EBITDA of 2.38x and negative EV/EBIT at -23.13. The negative multiple was not included in the median, mean, min, and max calculations due to its non material value

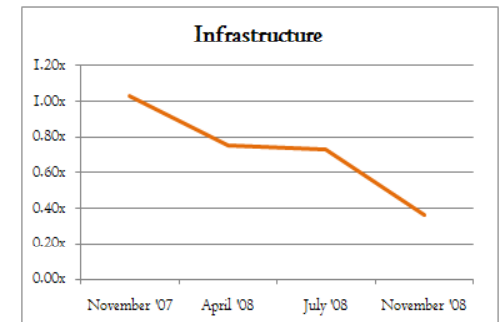
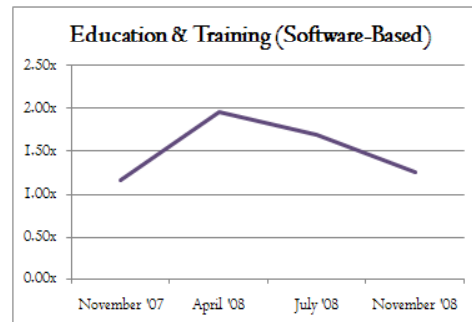
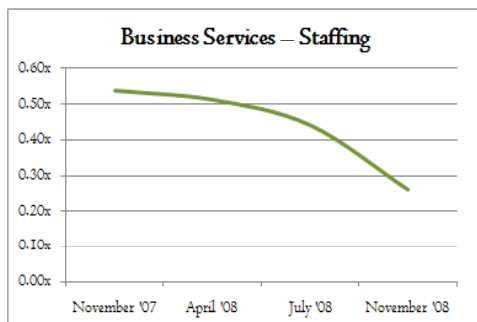
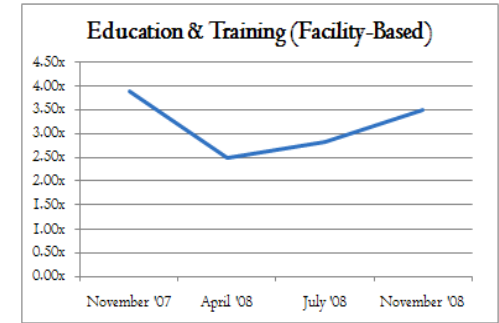
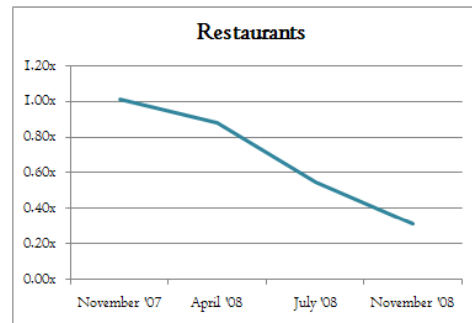
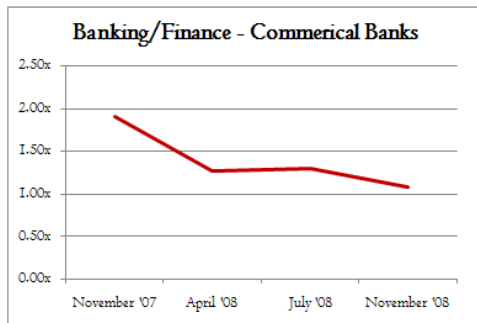
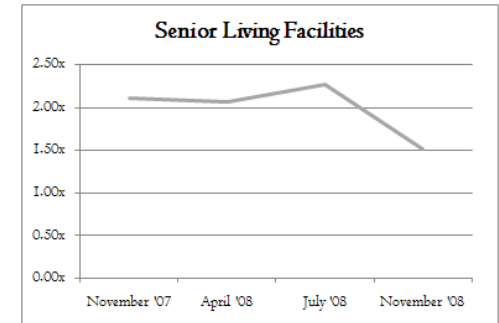
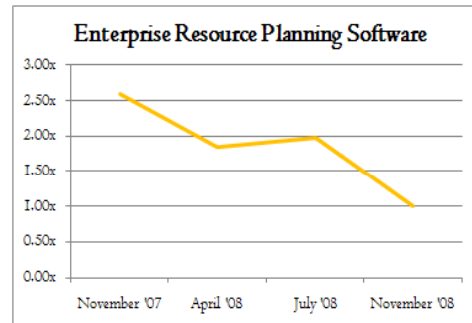
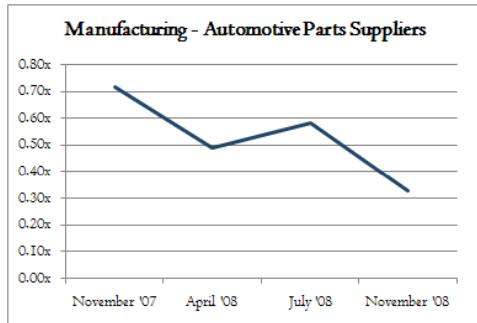


P/E = Price to earnings ratio
 F P/E = Forward price to earnings ratio
 Not Material ("n.m.") signifies a net loss.

Watermark Windows

EV/Sales Multiples Show Declines Since November 2007

MEMBER FINRA/SIPC



Watermark Windows

Professional Perspectives: The Capital Markets Today for Fast Growing Distress, and Acquisitive Companies - Interview with Ben Duster and Hagen Rogers

MEMBER FINRA/SIPC

The current business environment has created a great deal of uncertainty for business owners seeking capital. Businesses may need debt, equity, or mezzanine capital in order to fund expansion, alleviate distress, or finance an acquisition. In this issue of Watermark Windows, we will look at what business owners can expect from the changing markets, and how management can best position a company facing a capital need.

Fast Growing Companies - Senior Debt Markets

Even amidst the current economic crisis, many healthy companies continue to grow. In order to finance growth, these companies look towards the debt, mezzanine debt, and equity markets. This additional capital is often needed in fast growing companies in order to address liquidity problems, strains on working capital, and expansion capital. According to Hagen Rogers, “companies that are seeking debt will find challenging conditions, even those that are experiencing high levels of growth.” Additionally, companies that depend on one or two large customers for growth may find banks to be a bit hesitant to deliver debt capital. Borrowing is coming at a higher rate, more restrictive covenants, increased monitoring, and greater transparency. Currently, short-term facilities pricing is up 50-100 bps or wider and longer-term loans are up 100 bps or wider. Banks are also not issuing loans past five years and all lenders are requiring collateral. The maximum leverage we are seeing is 2 times senior debt to EBITDA.



Watermark Windows

Professional Perspectives: The Capital Markets Today for Fast Growing Distress, and Acquisitive Companies - Interview with Ben Duster and Hagen Rogers

MEMBER FINRA/SIPC

Fast Growing Companies - Mezzanine Debt Markets

Mezzanine debt is another avenue for companies to acquire expansion capital. Even during these difficult times, there is mezzanine capital available. The amount of mezzanine capital raised in the first half of 2008 was \$18 billion, which is \$1 billion more than the entire year of 2007 (Grant Thornton, 2008). Traditionally, mezzanine lenders are leery of companies where the growth has been rapid and prefer companies with steady, stable growth rates. Rogers sees that mezzanine lenders will “avoid situations where the company has profitability that is not in line with the rest of the industry.” Sometimes mezzanine debt will avoid situations where there is not enough senior debt in the company or if there is not enough debt need. To be considered for mezzanine debt, the company must need at least \$1 million in capital. Duster notes that “mezzanine debt is very much available for fast growing companies, though more expensive than pre-crisis and almost insistent on an equity kicker. Growth typically pressures cash flow, so a high cash coupon is not necessarily the most viable option.” Since mezzanine lenders are already in a subordinated position of collateral to the senior debt lender, Rogers agrees with Duster and says “they like to see the equity account healthy. If that is not the case, and the company is bleeding cash flow while trying to raise mezz debt, some, not all, of the mezz firms would be leery of that situation.”

Fast Growing Companies - Equity Markets

Fast growing companies will attract equity capital in today’s market. Private equity groups are looking to invest in companies that have continued to grow in the challenging economic atmosphere. Even though they are willing to invest, Rogers relates that “funds today are very discerning – they are going to spend more time in due diligence if they are not able to get the levels of debt needed to finance the transaction.” Additionally, Rogers believes that private equity firms are going to be looking for sustainable growth. Duster indicates that fast growth companies “are the companies that private equity wants to get in on.” However, both Duster and Rogers believe that a sticky subject between business owners and private equity firms is that of valuation. Many owners are of the opinion that their company is worth the same as it was before the credit crunch; however, valuation multiples have been trending down due to the lack of easy credit available for leveraged buyouts.



Watermark Windows

Professional Perspectives: The Capital Markets Today for Fast Growing Distress, and Acquisitive Companies - Interview with Ben Duster and Hagen Rogers

MEMBER FINRA/SIPC

Distressed Companies – Senior Debt Markets

Distressed companies are having a much more difficult time finding financing during the current economic crisis. Rogers indicates that “unless a company is trying to take on a complete recapitalization of the company, recapitalizing a portion of the debt will be a challenge.” He further indicates that it can be done in rare instances, but that the company “must be willing to change out management.” Duster notes that “these companies will find few seekers among traditional lenders, even debtor in possession (DIP) financing options. A historically competitive area sought out by lenders will be limited to the best, strongest (asset coverage wise) companies. Basically, special situation private capital funds will fill this gap, and pricing will be very expensive, terms will be shorter, and covenants, including milestones, will be very onerous.”

Distressed Companies – Mezzanine Debt Markets

Distressed companies are highly unlikely to obtain mezzanine financing in today’s market, according to both Ben Duster and Hagen Rogers. Duster notes that some equity may be provided in “mezz/debt clothing.”

Distressed Companies - Equity Markets

Equity is a source for some distressed companies in today’s economic climate. Distressed companies are typically defined as having EBITDA margins of less than 5 percent. According to Rogers, “there is a lot of distress equity out there already, and it has been looking for situations, but if the industry is in distress in addition to the company, companies will have a harder time acquiring distress equity. Also, the distress investor will want control, so if the company owner is not willing to give up equity control for the business, they will find it difficult to get distress equity.” When looking at companies with depressed earnings, equity investors are also seeking high asset values to cover their investment if the companies fails. Duster notes that only “the best companies will obtain distress equity due to oversupply in the market.”



Watermark Windows

Professional Perspectives: The Capital Markets Today for Fast Growing Distress, and Acquisitive Companies - Interview with Ben Duster and Hagen Rogers

MEMBER FINRA/SIPC

Capital for Acquisitions – Senior Debt Markets

For companies that are looking to grow via acquisition, there are multiple opportunities for financing the acquisition. Senior debt financing is an option for companies that have maintained strong banking relationships.

Rogers notes that “If you’re trying to raise debt capital in an acquisition scenario (and we do believe that this is a good time to be doing so), acquisition lines are available for companies that have great banking relationships. Those great banking relationships are defined by having all of your business with one bank – you don’t have your banking business spread around multiple banks. For those that do have their business spread around multiple banks, even if you’re healthy and profitable right now, you’ll have challenges raising significant acquisition capital. Banks are reserving debt capital for companies with great relationships.”

Duster states that “there will be limited bank financing available for ‘no-brainer’ acquisitions with strong, clearly identified synergies. Still, leverage levels will be more conservative than pre-crisis (i.e. approximately <2 times cash flow).”

Additionally, banks are looking for acquisitions where clear synergies exist. It is not enough for a company to show growth in the market, but also growth in the company’s financial performance and improvement in margins over a near-term perspective. Also, if the management team of the acquirer is an unproven management team in terms of acquisitions, they will have difficulty raising debt capital for the acquisition.”



Watermark Windows

Professional Perspectives: The Capital Markets Today for Fast Growing Distress, and Acquisitive Companies - Interview with Ben Duster and Hagen Rogers

MEMBER FINRA/SIPC

Capital for Acquisitions – Mezzanine Debt Markets

Companies that are looking to grow through acquisition may look to the mezzanine market for capital. According to Rogers, the “sub debt market is acting untraditionally in the sense that they are seeking almost equity-like returns for many situations. If they can’t see those returns, not only in cash interest or PIK (payment in kind), but also exercising warrants, they will shy away from the opportunity. These firms are looking for situations where they can put sub debt to work in a very low risk situation, almost acting like bank debt where the risk is less, or in situations where they can get equity-like returns but still maintain the debt structure.” Duster notes that mezzanine capital is also available for “no-brainer deals,” but that the deals will come with “lower leverage (1 turn of EBITDA) and restrictive covenants, with equity kickers required.”

Capital for Acquisitions – Mezzanine Equity Markets

Equity is another path for companies looking to grow via acquisition. Rogers believes that “if the management team is unproven in regards to post-acquisition integration, equity investors will be less likely to participate. Additionally, if an adequate level of debt is unavailable, the equity investors may shy away from the opportunity.” Rogers is finding that private equity firms are “sticking to the industries that they are most familiar with, and if you’re in an industry that has not had a lot of private equity investment historically, those private equity firms will be less likely to enter those markets now.” Duster notes that equity is still available, however the “more risk perceived in the post-acquisition integration, the higher the cost of equity, if available at all.”



Vision

THE VISION OF WATERMARK ADVISORS IS TO BE THE PREFERRED INVESTMENT BANKING ADVISORY FIRM SERVING PRIVATELY OWNED MIDDLE MARKET COMPANIES.

Mission

WATERMARK ADVISORS SEEKS TO AID BUSINESS OWNERS LOOKING TO GROW OR HARVEST VALUE FROM THEIR COMPANIES BY PROVIDING SUPERIOR:

- INDUSTRY RESEARCH AND ANALYSIS
- VALUATION SERVICES
- STRATEGIC AND FINANCIAL MODELING
- MERGER AND ACQUISITION ADVISORY SERVICES
- PRIVATE DEBT AND EQUITY FINANCINGS



A WATERMARK IS AN INTERNAL IMPRESSION MADE ON PAPER OR CURRENCY THAT IS VISIBLE WHEN HELD UP TO THE LIGHT. IT IS A SYMBOL OF AUTHENTICITY, QUALITY AND EXCELLENCE.

Watermark Advisors

YOUR ALLY
IN THE CAPITAL MARKETS

WATERMARK ADVISORS PROVIDES THE QUALITY AND EXCELLENCE OF SERVICE THAT MAKES A DISTINCTIVE AND LASTING IMPRESSION ON EACH CLIENT, LONG AFTER THE ASSIGNMENT IS COMPLETED.

"HE WHO IS FAITHFUL IN A VERY LITTLE THING
IS FAITHFUL ALSO IN MUCH"
LUKE 16:10

Culture

WATERMARK ADVISORS CULTIVATES AN ENVIRONMENT OF PROFESSIONALISM, INTEGRITY, AND SERVANT LEADERSHIP BY ADHERING TO THE FOLLOWING DEFINING VALUES:

- PLACE OUR CLIENTS' INTERESTS AHEAD OF OUR OWN
- DEMONSTRATE A SENSE OF URGENCY IN EXECUTION WITHOUT ARROGANCE
- PASSIONATELY STRIVE TO ACHIEVE THE BEST RESULT WITHOUT LOSING COMPASSION FOR THE PEOPLE WHO HELP MAKE IT HAPPEN
- EMBRACE A TEAM APPROACH TO BUSINESS, WHERE EACH PROFESSIONAL IS ACCOUNTABLE FOR CONTRIBUTING TO SUCCESSFUL EXECUTION FOR CLIENTS
- ALWAYS ACT WITH HONOR AND INTEGRITY
- ENCOURAGE OUR PEOPLE TO GROW IN CAREER, FAMILY, AND COMMUNITY